

# JACK MYERS REPORT™

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## When The Advertising Business Changed Forever

**JULY 24, 2002** – Two announcements last week may ultimately mark July 2002 as a momentous time in marketing and media industry history. Legendary industry marketing guru Peter Sealey believes "we will look back at this month in the same context as when Ted Turner went live on satellite with CNN; when Wozniak and Jobs first introduced the Apple; when Marc Andreessen created the browser." The watershed event to which Sealey is referring is the announcement by the AAAA and ANA of the creation of a new joint venture to provide the advertising industry with its first ever advertising digital identification system, to be known as Ad-ID.

Sealey also points to the acquisition of DoubleClick by Internet rep company L90 and the creation of a new company, MaxWorldwide (which Sealey has joined as Chief Strategy Officer) as an indication of a

shift in the base of power in the advertising and media industries.

At MaxWorldwide, Sealey is joining L90 founder Bill Apfelbaum and former Sony executive Mitchell Cannold. The formation of Advertising Digital Identification by the Association of National Advertisers (ANA) and the American Association of Advertising Agencies (AAAA) promises to provide the advertising industry with a digital identification system for all forms of advertising. The system is expected to be fully operational by October 2002. The organizations state that they expect to have universal adoption and compliance by all media, advertisers, ad agencies, and their suppliers.

Sealey believes that "incumbent companies have never been able to destroy existing business models and build new ones. MaxWorldwide," he claims, "will be one of a handful of new companies that will position

themselves to harness the information power that Ad-ID will create, changing the basic paradigms on which current advertising models depend." MaxWorldwide represents the marriage of the traditional world of direct marketing with the capabilities of the Internet. "We are joining the disciplines of both and bringing them together to increase the power and discipline of advertising and reduce the costs."

"With the information power of Ad-ID, it's now an economic imperative to reformulate the business model of advertising," says Sealey. "When industries have to redefine themselves, it's exciting." The former Coca-Cola marketing executive who was responsible for recharging and re-energizing the Coca-Cola business believes that the "old business model of media advertising and marketing will be profoundly changed. Ad-ID is a

*(Continued on page 2)*

## Magna Global USA:

### Primetime: The Network Age Gap Narrows

Five years ago, ABC and NBC had average median ages about 12 years younger than CBS, while FOX and UPN were about 9 years older than WB. Today, both of those age gaps have been cut in half.

The closer median ages has resulted in a more competitive network landscape among several key demographic segments.

**Primetime Regular Series Median Age Trends (October – May)**  
(Base = Persons 2+)

|                   | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 |
|-------------------|---------|---------|---------|---------|---------|
| ABC               | 41.2    | 41.8    | 43.4    | 46.6    | 46.0    |
| CBS               | 53.2    | 53.1    | 52.4    | 51.2    | 51.7    |
| NBC               | 41.1    | 43.4    | 45.2    | 45.1    | 45.9    |
| FOX               | 33.2    | 34.0    | 35.2    | 36.0    | 36.0    |
| UPN               | 33.6    | 37.4    | 32.8    | 34.1    | 34.2    |
| WB                | 24.1    | 26.8    | 28.7    | 29.1    | 31.2    |
| 6-Net Average     | 42.0    | 43.3    | 44.1    | 44.8    | 44.9    |
| U.S. Pop in TV HH | 35.9    | 36.2    | 36.5    | 36.8    | 37.0    |

Source: MAGNA Global USA analysis of copyrighted Nielsen Media Research data.

# JACK MYERS REPORT™

Page 2

July 24, 2002

## Advertising Business

*(Continued from page 1)*

watershed event. It is the foundation building block of a totally new business model – the first of the new century. This is a model of advertising accountability and addressability." Sealey compares Ad-ID to the Uniform Product Code, which was introduced in 1974. By the mid-1980s the combination of the UPC and computing power had shifted the balance of power from manufacturers to retailers. Sealey credits the 10-digit UPC with virtually creating the Wal-Mart Corporation, which utilized consumer data accumulated at the checkout counter to manage its purchasing and inventory decisions.

In the same way, Ad-ID will provide advertisers with micro-intelligence for tracking consumer exposure to advertising messages. "The ultimate megatrend," says Sealey, "is addressable advertising using the Ad-ID Code to measure advertising impact. Marketing executives will be able to track advertising 'usage' at the individual consumer level. Marketers' dark glasses will be removed." Sealey believes the transition to utilization of Ad-ID will occur in the second half of this decade, with a number of factors converging to influence the shift.

### **Pete Sealey's Marketing Megatrends**

1. **"While the Internet ad market is not as robust as it was, it still represents five to six billion dollars. This market will grow again.** Incorporating it into plans will be an imperative for marketers based on the amount of time people are spending online. Twenty-one percent of people are using high speed, which will grow as well. Advertising follows eyeballs. The unique strength of the Internet is that it offers addressability and accountability."
2. **"As the Internet re-directs itself into a viable organizational structure, new companies are going to succeed.** In 1457, Johann Gutenberg went bankrupt. The frenzy following March 2000 is over and adults are now in charge of the Internet business. The real structure of the Internet is going to reform. There are three huge portals, AOL, Yahoo, and MSN. MaxWorldwide can be to these portals what Fox Network is to ABC, NBC and CBS. We can be a gateway focused on providing the accountability capabilities of direct marketing with the addressability of the Internet."
3. **"We are now beginning to have addressability across all media advertising.** The accountability and R-O-I implications are

profound for our industry. Factors include the personal video recorder, which is tiny now but will grow exponentially as they get built into set-tops and TV sets. Broadcast advertising will change. With new technologies and capabilities, we're going to have a broken business model that will be fatally flawed and that people will be desperately trying to protect. Consumers don't act according to business models. Ad-ID provides 2.8 trillion coded ID tags to put on advertising. This will result in the ability to track advertising consumption down to the household and individual level."

"We're going have to restructure marketing," says Sealey, based on one-to-one and permission marketing techniques. Viewers will have new options to view commercials that are relevant to them, and marketers will know who is viewing, when they are viewing and where they received the message from." Eventually, he suggests, marketers will also be able to track the specific consumption behavior resulting from advertising exposure.

In response to Turner Broadcasting CEO Jamie Kellner's recent comments that TV viewers have a contractual obligation to view commercials, Sealey believes new models will be empowered by technology. For example, he points to the idea that viewers will be able to maintain a file in their TVs for videos on products and product categories in which they have specific interests. For example, all new movie trailer ads will be delivered each week in a long-form format, he suggests. Different audiences can view different trailers, with the actual viewing tracked, recorded and instantly delivered to the marketer.

With the development of Ad-ID and the evolution of technology, Sealey believes companies will need to rethink how they go to market. "New companies will form to manage the data that will be available. This information will cause power to shift to those who have the mechanisms for one-to-one communications." In this new paradigm, suggests Sealey, every company with consumer relationships will become a media company. For example, he asks, "What is the value of the wireless network in American Airlines Admiral's Clubs? Companies will be focused on monetizing these relationships. Companies that can harness addressable media opportunities and Ad-ID tracking information will form the new power hierarchy." □

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